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society must weigh in the exercise of choice between institutional alternatives for control over executive leadership, *via* "economic-blockade"—whether applied to programs of national welfare or international alliance and defense: Are the methods and procedures proposed, or in use, adapted to the maintenance of the *Sovereignty of Good-Will*? Are they adapted at once to the development of the strongest, most able leadership for achievement that can be found, which can be trusted—leadership which in the interest of

efficiency is endowed with all power except that of control over supplies? The further development of the mechanisms of democracy must be with a view to the utilization of strong executive leadership, at all times, making it consistent with the maintenance of good-will by a procedure of economic control, the effect of which will be to enable the people to transfer the scepter of power from one strong leader to another without loss of institutional momentum or impairment of efficiency.

Budget Making in Philadelphia—Its New Provisions and Operation

By WRIGHT HOFFMAN

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ON June 25, 1919 a new charter for the city of Philadelphia was approved by the State Legislature. Among the provisions included were important changes in budgetary procedure. Prior to that time both the preparation and the final enactment of the budget were in practice, carried out by Councils, and as such would commonly be classified as a legislative budget. Under the provisions of the new charter, the powers of the Mayor have been enlarged and, in its preparation, at least, the financial program, as now provided for, is an executive budget. Though sufficient time has not elapsed for a thorough test, a comparison of the practice thus far with the provisions may prove of interest.

First with regard to the requirements of the law. On or before October fifteenth of each year the Mayor is required to prepare and submit to Council the budget for the following year. This estimate must contain:—

1. A statement of estimated receipts for the following year, including money that it is proposed to borrow.
2. A statement of liabilities of every kind for the ensuing year designating which are to be met from current receipts and which from loan funds.
3. A statement of estimated expenditures for the following year of "all departments, officers, boards, commissions, trusts, committees, or other agencies" whose financial requirements are to be met from either current receipts or loan funds over which Council has control.
4. A statement of the borrowing capacity of the city.

The first, second and fourth statements above are furnished to the Mayor by the City Controller. The statement of estimated expenditures must be made up by the Mayor from the estimates supplied him by the various departments, boards, etc., and can be revised by the Mayor as he sees fit. It is further provided that the form of the Mayor's estimate as submitted to Council shall be as Council may determine.

For the consideration of the Mayor's estimate, Council has until December fifteenth, or two months. At the end of that time, they shall have passed, in one appropriation ordinance, the financial program for the following year, and shall have fixed the tax rate. They may increase, decrease, insert or strike out any item in the budget as submitted by the Mayor. The budget must be considered by Council "in open session, affording a reasonable opportunity to officers and citizens to be heard thereon." After the enactment of the appropriation ordinance, it is returned to the Mayor for his signature. He may veto the entire bill or any items or parts of it, and the parts disapproved, if they are to become law, must be passed again by Council by a vote of three-fifths of all the members. The ordinance thus enacted, beginning January first following, becomes the financial program for that year. As in the estimate submitted by the Mayor, the appropriation ordinance must contain a statement of (1) liabilities of every kind, (2) estimated receipts from all sources, and (3) the amount and character of expenditures to be made by the various departments, boards, etc. Two further provisions should be noted: First, that the amount of expenditure for the year, other than from loan funds, must not exceed the estimated general fund receipts for the year; second, that appropriations for one department or board can not be used by another department. Council may, however, by ordinance, transfer any unencumbered balance at any time from one item of appropriation to another.

The above provisions regarding the budget went into effect with the adoption of the new charter in June 1919, but the other provisions of the charter did not become effective until January first following. Important

among these was a change in the legislative branch of the city government from a large bicameral body to a small single body—a council of twenty-one members. And, although the Mayor in the fall of 1919 prepared the budget estimate, the provisions for its consideration could not be effective until the latter reorganization took place. The year 1920 is, therefore, the only one in which the budget procedure has followed fully the new law.

Following the provisions of the act, the Mayor on October 13 of last year, submitted to Council a tentative budget together with a letter of transmittal. In the preparation of the estimate, all the boards, departments or other bodies of the city, whether under the control of the Mayor or not, whose financial requirements were to be met from general fund receipts, were required to submit their requests to the Mayor. The original requests made to him totaled \$74,556,651. As no public hearings were held in this preparatory work, the details of the reductions made by the Mayor are not available. Working on the belief, however, that the tax rate for the following year should not be increased, and, as the total of these estimates exceeded the revenues (estimated at the current rate) by fifteen million dollars, the Mayor asked the departments to reduce their requests and, through further pruning, the budget as finally submitted to Council was \$64,945,450. Of the \$9,611,201 thus reduced, the Mayor stated in his letter transmitting the budget to Council that \$9,504,817 or practically all of the reductions made were in the departments over which the Mayor exercises control. The charter provisions, however, give the Mayor the right to revise any or all of the requests, whether directly under his jurisdiction or not, although in the budget submitted he

did not apparently exercise that privilege in those departments not under his control. As submitted to Council, therefore, the budget was still five million dollars higher than the Mayor believed it ought to be. Suggesting in his letter of transmittal certain items which he thought should be cut down, the Mayor passed on to Council the task of final reductions which he should have assumed.

In taking up the consideration and final enactment of the budget by Council, the fact should not be overlooked that the task of really cutting the department estimates was left to that body. Though the charter clearly provides that the Mayor is to submit a budget which he thinks adequate for the following year, he did not meet these requirements in the budget which he submitted. The departmental requests had been reduced by the Mayor, but the reductions were, in the main, those added amounts which the departments expect to be cut down and which they provide for by submitting their estimates at a higher figure than they expect to have accepted. Council agreed with the Mayor that the estimates should be reduced enough to come within the limit of the tax rate. The task of carefully weighing the requests of one department with those of another, the reduction of some items and the increase of others, the task of working out a well-balanced financial program for the following year, which is the all-important part of a budget and which should have been done by the Mayor, was left to Council.

In the graph shown, the reductions which Council made in the Mayor's estimates have been plotted. As the appropriation ordinance (that is, the final budget as passed by Council) followed closely the classification of the Mayor's budget, it was possible to

make the comparison by items of expenditure. Dividing them into appropriations for personal services (i. e., temporary as well as regular employes) and items other than personal services, the reductions in percentages in each department, board or agency are shown. The departments, in turn, have been arranged into two groups:—namely, those under the control of the Mayor, and those not under his control, to show the percentage reduction in each case. The final totals show the change in all departments. Included in the amounts asked for and the amounts appropriated for each department or unit are the corresponding requests and apportionments made through the Purchasing Agent, and hence, the percentage change in each case shows the total change made, that is, the change in department estimates plus the change made in requests through the Purchasing Agent where such requests were made. The totals thus obtained for all departments were as shown in table on page 240.

It will be noted that the items other than personal services in departments not under the Mayor, instead of being reduced, were increased. This is due to an item included in the appropriation for the City Treasurer of \$1,373,-307 for "additional compensation to employes of city and county departments and other employes paid from the city treasury for the year 1921." Though in character a purely personal service item, it was entered in the appropriation ordinance as a non-personal service item. When this item is included as a part of the personal service totals, the percentages are then altered as follows:

Items other than personal services in departments not under the Mayor were reduced 4.9 per cent instead of increased 3.3 per cent.

Items other than personal services in all departments were reduced 12.3 per cent instead of 8.5 per cent.

Items of personal services in all departments were reduced 3.9 per cent instead of 8.8 per cent.

This is more truly representative of the percentage reduction made for the year. The largest reductions made then were not in the items of personal services,—salaries and wages,—but principally in non-personal service items. This is of course to be expected since a great many of the salaries of

fare 16%, embracing some of the most constructive city activities.

In its operation during the first year the budget has not fully met the requirements and spirit of the new law. The Mayor, to have fulfilled the requirements of the charter should have prepared the budget and submitted it to Council as he thought it should be passed. Instead he turned over to Council an estimate which he was not prepared to defend and left to that body the task of making the reductions. In the consideration of the budget by

	<i>Submitted by Mayor</i>	<i>Passed by Council</i>	<i>Amount Changed</i>	<i>% Changed</i>
<i>Personal Services:</i>				
Depts. not under Mayor	\$6,897,354	\$5,573,476	— \$1,323,878	— 19.2
Depts. under Mayor	20,759,452	19,640,869	— 1,118,583	— 5.4
Total, all Depts., etc.	27,656,806	25,214,345	— 2,442,461	— 8.8
<i>Items other than Personal Services:</i>				
Depts. not under Mayor	\$16,712,527	\$17,267,989	+ \$555,463	+ 3.3
Depts. under Mayor	20,576,112	16,821,975	— 3,754,137	— 18.2
Total, all Depts., etc.	37,288,639	34,089,964	— 3,198,675	— 8.5
<i>All items:</i>				
Depts. not under Mayor	\$23,609,881	\$22,841,465	— \$768,416	— 3.2
Depts. under Mayor	41,335,564	36,462,844	— 4,872,720	— 11.8
Total, all Depts., etc.	64,945,445	59,304,309	— 5,641,136	— 8.7

those departments not under the Mayor are fixed by Act of the State Assembly and the others are difficult to reduce. It should be observed that in the changes made in the items other than personal services the reductions in the departments under the Mayor were four times as large as those not under the Mayor. This is particularly significant when it is recalled that, of the reductions originally made by the Mayor before submitting the budget to Council, practically all were in the departments over which he has control. Of the reductions made in the items other than personal services the outstanding ones in the Mayor's departments were: Wharves, Docks and Ferries 26%, Museums 42%, Public Health 34%, Public Works 19%, Public Wel-

Council, the estimates of all the departments were weighed. Department heads were summoned and questioned. The hearings were carried on by the entire Council and all were open to the public. The budget as considered and enacted is entirely a reflection of the work of Council.

Also, to more fully meet the requirements of the law a greater measure of control will have to be obtained over those departments which are not at present under the Mayor. The trouble here lies in the fact that the functions of government of Philadelphia are divided between the city and county. Though the city and county of Philadelphia are geographically coterminous they are not a unit politically. Many of the county offices

[illegible]

 % TOTAL ESTIMATE REDUCED
 % PERSONAL SERVICES REDUCED
 % OTHER THAN PERSONAL SERVICES REDUCED.

are retained, they are elective positions, and in their operation are not in any way subject to the supervision of the Mayor. A list of these offices, boards, etc., which are not under the Mayor is shown in the chart. The new charter provisions require that they make their requests for appropriations to the Mayor and it is further provided that these requests are "subject to revision by the Mayor in his discretion." But he has no means whatever of finding

out the real needs of these departments and hence no basis for a careful judgment in making a revision. An executive budget as the new charter contemplates is impossible without executive control. And until some unification of county and city offices is obtained a well-balanced financial program can not be secured. On the whole, however, the first year under the new provisions showed an important advance over previous years.

Administrative Reorganization in the Federal Government

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EXTRAVAGANCE has long been a chronic ailment of the Government of the United States. Ever since Jeffersonian simplicity gave way to the Jacksonian spoils system, it has manifested all the symptoms of a constitutional complaint. In general, it has entailed no great drain on the national resources. Indeed, during the eighteen-eighties the politicians at Washington seemed more disturbed by a series of recurrent surpluses than they ever had been by deficits, and plunged into an orgy of river-and-harbor and pension legislation far exceeding any previous fiscal dissipations in the history of the Federal Government. Prior to the World War, governmental extravagance was a discreditable, but by no means an intolerable, burden. Now, however, the necessity for economy is urgent and the pains of extravagance are acute.

Administrative reorganization in any government may be advocated on two grounds, economy and efficiency. Administrative reorganization in the Federal Government has been advocated

on the latter ground for many years. President Roosevelt made a beginning by the appointment of the Keep Commission with a view to the improvement of administrative methods in the departments. President Taft was deeply interested in the matter and gave a great impetus to the cause of administrative efficiency throughout the Union by the creation of the Cleveland Commission on Economy and Efficiency. How great this impetus was is revealed in the comprehensive study by the Institute for Government Research, entitled *Organized Efforts for the Improvement of Methods of Administration in the United States*. The efficiency movement of the last decade has accomplished substantial results in the state and local governments. Until the close of the war, comparatively little had been accomplished in the Federal Government. Now the need for economy has supplied a more powerful incentive for administrative reorganization than the want of efficiency ever did.